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FEB 13 2004

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**INDIANA UTILITY
REGULATORY COMMISSION**

IN THE MATTER OF PETITION OF)
INDIANA BELL TELEPHONE COMPANY,)
INCORPORATED ("SBC INDIANA") FOR)
THE COMMISSION TO EXERCISE ITS)
STATUTORY AUTHORITY UNDER)
I.C. 8-1-2.6 *ET SEQ.* TO DECLINE TO)
EXERCISE ITS JURISDICTION, IN WHOLE)
OR IN PART, AND USE ALTERNATIVE)
REGULATORY PROCEDURES AND)
STANDARDS AND APPROVE)
SBC INDIANA'S ALTERNATIVE)
REGULATION PLAN FOR THE PRICING)
AND OTHER REGULATION OF)
SBC INDIANA'S RETAIL AND)
CARRIER ACCESS SERVICES.)

CAUSE NO. 42405

IN THE MATTER OF THE PETITION OF)
INDIANA OFFICE OF UTILITY)
CONSUMER COUNSELOR ("OUCC") FOR)
THE COMMISSION TO EXERCISE ITS)
STATUTORY AUTHORITY UNDER)
I.C. 8-1-2.6 *ET SEQ.* TO DECLINE TO)
EXERCISE ITS JURISDICTION, IN WHOLE)
OR IN PART, AND USE ALTERNATIVE)
REGULATORY PROCEDURES AND)
STANDARDS AND APPROVE)
OUCC'S ALTERNATIVE)
REGULATION PLAN FOR THE PRICING)
AND OTHER REGULATION OF)
SBC INDIANA'S RETAIL AND)
CARRIER ACCESS SERVICES.)

IN THE MATTER OF JOINT PETITION OF)
THE CITIZENS ACTION COALITION OF)
INDIANA, INC., AND UNITED SENIOR)
ACTION OF INDIANA, INC., TO APPROVE)
AN ALTERNATE ALTERNATIVE)
REGULATION PLAN FOR THE PRICING)
AND OTHER REGULATION OF SBC)
INDIANA'S RETAIL AND CARRIER)
ACCESS SERVICES.)

**SETTLING PARTIES' SUBMISSION OF
STIPULATION AND SETTLEMENT AGREEMENT**

Indiana Bell Telephone Company, Incorporated ("SBC Indiana"), by counsel, on behalf of Citizens Action Coalition of Indiana, Inc. and United Senior Action of Indiana, Inc. (collectively, "Residential Customers"), the Indiana Office of Utility Consumer Counselor ("OUCC"), the Intelenet Commission and the Indiana Utility Regulatory Commission Staff ("Commission Staff") (collectively, the "Parties" or "Settling Parties"), hereby submits the attached Stipulation and Settlement Agreement.

Respectfully submitted,



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 13, 2004, a copy of the foregoing was served via first class mail, United States Mail, postage prepaid, and via email transmission, upon the following counsel of record (and a copy of the foregoing was also provided via Email transmission to the Administrative Law Judge at agray@urc.state.in.us):

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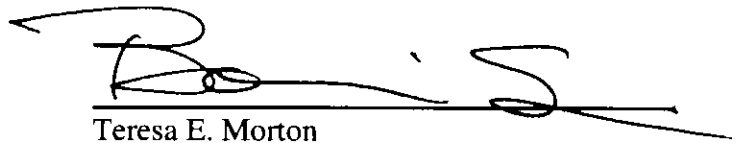
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INDIANA UTILITY
REGULATORY COMMISSION

SBC INDIANA

REGULATORY FLEXIBILITY PLAN

STIPULATION AND SETTLEMENT AGREEMENT

CAUSE NO. 42405

Dated February 13, 2004

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STIPULATION AND SETTLEMENT AGREEMENT

Indiana Bell Telephone Company, Incorporated d/b/a SBC Indiana ("SBC Indiana" or "Company"), Citizens Action Coalition of Indiana, Inc. and United Senior Action of Indiana, Inc. (collectively, "Residential Customers"), the Indiana Office of Utility Consumer Counselor ("OUCC"), the Intelenet Commission and the Indiana Utility Regulatory Commission Staff ("Commission Staff") (collectively, the "Parties" or "Settling Parties") having been duly advised by their respective staff, experts and counsel, stipulate and agree that the terms and conditions set forth below represent a fair, reasonable and just resolution of this proceeding, subject to their incorporation into a final order of the Indiana Utility Regulatory Commission ("Commission") ("Final Order") without modification or further condition that may be unacceptable to any Party. If the Commission does not approve this Stipulation and Settlement Agreement ("Agreement"), in its entirety, the entire Agreement shall be null and void and deemed withdrawn, unless otherwise agreed to in writing by the Parties.

I. PURPOSE

The purpose of this Agreement is to resolve all issues pending before the Commission in Cause No. 42405 relating to SBC Indiana's provision of retail and carrier access rates and services.

II. DEFINITIONS

- A. Act of God: an occurrence not preventable with care, skill or foresight but resulting from an unforeseeable natural cause.
- B. Bundle: a bundled offering provides a customer a discount when the customer buys a certain group of services. Each individual service within the bundle maintains a separate rate. One or more of the services in the bundle may be discounted. [Example: If you purchase call waiting from SBC Indiana, you may also purchase three-way calling at a 20% discount.]
- C. Customer Living Units ("LUs"): specific addressable properties, either residential or business, at which customers can receive retail services. The number of living units in a multiple-unit property is based on the specific network arrangement for the unit. For example, a multiple-unit property containing four (4) units that has one network addressable point (ex. PBX interface) would count as one living unit. If in the same multiple-unit property each of the units was network addressable, the property would count as four (4) living units.
- D. Facilities-based Provider: a telecommunications provider that provides services either exclusively over its own telephone exchange service facilities or predominantly over its own telephone exchange service facilities in combination with the unbundled network elements or in combination with the resale of the telecommunications services of another carrier.

- E. High Speed Services: services provided over lines designed to support and capable of providing a connection speed of a minimum of 200 Kbps in at least one direction, upstream or downstream, pursuant to the definition currently adopted by the Federal Communications Commission ("FCC") in CC Docket No. 98-146, Second Report (rel. August 21, 2000).
- F. Package: an offering that provides a customer a discount when the customer buys a certain group of services. Unlike a bundle, however, the group of services carries one rate. This packaged rate is less than the sum of the a la carte rates of the services contained in the package. [Example: A customer may purchase call waiting and three-way calling from SBC Indiana for \$5.20 a month - the a la carte price for these two services would be \$5.75 per month.]
- G. Primary Line: a customer's first line for basic local exchange service.
- H. Promotion: a limited time offering that provides an incentive to eligible customers to purchase a particular product. [Example: SBC Indiana recently ran a promotion in which residential customers who purchased Privacy Manager would receive free installation and a waiver of the first month's recurring rate. The promotion ran from 3/31/03 through 6/30/03.]
- I. Rural Areas: SBC Indiana exchanges in Rate Class 1 and 2.
- J. TSLRIC: the total forward-looking economic costs, using least cost technologies and assumptions that are currently operational in the marketplace and compatible with the provider's existing network infrastructure, of a telecommunications service that would be avoided if the provider had never offered the service, or, alternatively, the total additional cost the company would incur if it were to initially offer the service for the entire current demand, given that the company already produces all of its other services. The TSLRIC of an individual service does not include joint and common costs. The TSLRIC of a group of services includes costs common to that group of services.

III. TERMS AND CONDITIONS

A. Term of Agreement.

With the exception of the infrastructure commitment set forth in Section III.J. which extends through June 30, 2008, the term of the Agreement shall be three (3) years from the date the Commission enters a Final Order approving this Agreement ("Effective Date"), unless the Commission extends the Agreement pursuant to Section III.A.7. below. This Agreement assumes issuance by the Commission of a Final Order by June 30, 2004 that approves this Agreement without change unacceptable to the Parties. If the Effective Date is a date other than June 30, 2004, the dates set forth in this Agreement which reflect the three year term will be adjusted accordingly by a written supplement filed by the Parties.

The Parties agree to comply with the following procedures regarding the continued form of alternative regulation to govern SBC Indiana on and after June 30, 2007:

1. On or before September 1, 2006, SBC Indiana will meet with the Parties to this Agreement to begin informal discussions regarding the continued form of alternative regulation to govern SBC Indiana on and after July 1, 2007. Notwithstanding any other provision of this Agreement, a new settlement agreement, if any, concerning alternative regulation, may be filed with the Commission for approval at any time after September 1, 2006.
2. On or before October 1, 2006, SBC Indiana shall file a petition with the Commission. In this petition, SBC Indiana shall set forth its alternative regulatory proposal and summarize why the proposal is reasonable. SBC Indiana's petition should request that a date be promptly fixed for a preliminary hearing and prehearing conference in accordance with 170 IAC 1-1.1-15. SBC Indiana shall have the burden of proving to the Commission that any proposal SBC Indiana makes is in the public interest. SBC Indiana shall serve a copy of its petition on the Settling Parties.
3. As part of the prehearing conference and preliminary hearing, the Parties agree to request that the Commission include in any approved procedural schedule, a provision for any Settling Party wishing to submit its own alternative regulation plan for SBC Indiana to do so within a reasonable timeframe. Any Party submitting an alternative regulation plan shall have the burden of proving to the Commission that its proposal is in the public interest.
4. In the event that a final Commission order approving an alternative regulatory framework applicable to SBC Indiana is not entered by June 30, 2007, the Commission may extend this Agreement under its current terms for a period not to exceed December 31, 2007.
5. Subject to Sections III.A.1. and III.A.2. above, and through June 30, 2007, or the date of approval of a successor plan, SBC Indiana shall not petition the Commission pursuant to I.C. 8-1-2-61, 113, 2.6 et seq., or any other statute, for any relief which would have the effect of increasing its rates and charges in a manner prohibited by this Agreement or which would otherwise conflict with this Agreement.
6. Subject to the above, and through June 30, 2007, or the date of approval of a successor plan, the Settling Parties other than SBC Indiana shall not petition the Commission pursuant to I.C. 8-1-2-61, 113, 2.6 et seq., or any other statute, for any relief which would have the effect of decreasing SBC Indiana's rates and charges in a manner prohibited by this Agreement, or which would otherwise conflict with this Agreement.

7. In the event the term of this Agreement is extended beyond June 30, 2007, Tier 1 rates shall continue to be capped and Tier 2 rates shall be capped at June 30, 2007 levels until those rates are permitted to be modified by subsequent order of the Commission. Tier 3 flexibility and all other provisions of the Agreement shall extend consistent with the terms described herein, with the exception that SBC Indiana shall have no obligation to provide additional funding under Section III.K. and the one free Directory Assistance call provided for in Section III.N.7. shall terminate after June 30, 2007.

B. Flat Rate Service.

SBC Indiana shall continue to make primary line residential and primary line business basic local exchange service available to its customers at a flat monthly rate for the same local calling areas that are available on the date the Commission enters a Final Order approving this Agreement. Nothing herein prevents SBC Indiana from introducing as an option, a new service with an expanded local calling area.

C. Alternative Regulatory Tiers.

This Agreement establishes three regulatory tiers for the retail services provided by the Company subject to the Commission's jurisdiction. All three tiers are subject to Commission oversight, but to varying degrees, with Tier 1 having the greatest amount of regulatory oversight and Tier 3 having the least amount.

1. Tier 1.

The services in Tier 1 are subject to the greatest amount of regulatory oversight. Tier 1 consists of Basic Local Service ("BLS") for residential or business customers with four (4) or fewer access lines – flat-rate or message rate. Tier 1 includes both one-time installation and ongoing monthly charges associated with BLS for residential customers with four (4) or fewer access lines and business customers with four (4) or fewer access lines. It also includes the message charge for message rate service. Rates for Tier 1 services are currently listed in the IURC No. 20 Tariff as follows:

	Part	Section	Sheet
Business Local Service (Lines 2-4 only)	4	2	4
- flat rate line			
- message rate line			
Primary Residential Local Service	4	2	3
- flat rate line			
- message rate line			
Residential Local Service (Lines 2-4 only)	4	2	3
- flat rate line			
- message rate line			

	Part	Section	Sheet
Service Charges (< 5 lines)	3	1	1
- service request charge			
- central office line connection charge			
- records work only charge			
Primary Business Local Service	4	2	4
- flat rate line			
- message rate line			
Suburban Zone Service (< 5 lines)	4	2	8
- zone 1			
- zone 2			

The Commission shall retain jurisdiction over services in Tier 1 in accordance with the following alternative regulation:

- (a) Through the end of the term of this Agreement, prices for services in Tier 1 shall not exceed the price in effect on the Effective Date of this Agreement ("Price Ceiling").
- (b) The Company may decrease a price of a Tier 1 service at any time provided the lower price exceeds the total service long-run incremental cost (TSLRIC) of the service plus ten percent. Price decreases and price increases up to the Price Ceiling shall become effective no earlier than the day after the date upon which the Company provides written notice to the Commission. Written notice to the Commission shall take the form of updated IURC No. 20 Tariff pages with a copy provided to the OUCC.
- (c) Changes to terms and conditions may be made pursuant to the IURC No. 20 Tariff Filing Approval Process Section as described in Section D below.
- (d) The primary line for residential and business basic local service ("BLS"), and associated Tier 1 service charges and zone charges, shall not be eligible for the Competitive Flexibility Process. All other services in Tier 1 may be moved to (and back from) Tier 3 as described in the Competitive Flexibility Process Section as described in Section I below.
- (e) Services in Tier 1 are not subject to Customer Specific Offerings ("CSOs").
- (f) Except as provided otherwise herein and through June 30, 2007, SBC Indiana will not reintroduce charges for tariff elements which were reduced to zero through previous alternative regulatory plans.

2. Tier 2.

Tier 2 represents an intermediate level of regulatory oversight. Tier 2 services include basic custom calling features (call waiting, call forwarding, three-way calling, and speed calling) and the caller ID feature, as stand alone services. Rates for Tier 2 services are currently listed in the IURC No. 20 Tariff as follows:

	Part	Section	Sheet
Custom Calling Service Features	7	1	1
- call forwarding			
- call waiting			
- speed calling 8 and 30			
- three-way calling			

The Commission shall retain jurisdiction over services in Tier 2 in accordance with the following alternative regulation:

- (a) Through June 30, 2007, price increases for Tier 2 services may not exceed \$0.38 per feature per year. SBC Indiana may request these limited price increases pursuant to the IURC No. 20 Tariff Filing Approval Process Section as described in Section III.D. below. Increases of a maximum of \$0.38 per feature per year, in the aggregate, shall not occur more than three (3) times during the term of this Agreement. For the purposes of this provision, the term "year" shall mean the period between July 1st to June 30th.
- (b) The Company may decrease a price for a Tier 2 service at any time provided the lower price exceeds the TSLRIC of the service plus ten percent consistent with the requirements in Section III.E. below. Price decreases shall become effective no earlier than the day after the date upon which the Company provides written notice to the Commission. Price increases up to a price level already implemented through the IURC No. 20 Tariff Filing Approval Process shall become effective no earlier than the day after the date upon which the Company provides written notice to the Commission. Written notice to the Commission shall take the form of updated IURC No. 20 Tariff pages with a copy provided to the OUCC.
- (c) Changes to terms and conditions may be made pursuant to the IURC No. 20 Tariff Filing Approval Process Section as described in Section III.D. below.
- (d) Subject to the rate caps described above, all services in Tier 2 may be moved to (and back from) Tier 3 as described in the Competitive Flexibility Process Section as described in Section III.I. below.

- (e) Services in Tier 2 are not subject to CSOs.

3. Tier 3.

Tier 3 provides the greatest amount of regulatory flexibility. Tier 3 will include all services not included in Tiers 1 and 2, including but not limited to, BLS lines for residential or business customers with more than four access lines, business trunks, advanced custom calling features, directory assistance, operator services, Centrex, intraLATA toll, private lines, all new services, bundles, packages, and promotions. Tier 3 services will be listed in the SBC Indiana Catalog.

The Commission shall retain jurisdiction over services in Tier 3 in accordance with the following alternative regulation:

- (a) Price increases shall become effective no earlier than on the day after the date upon which the Company provides written notice to the Commission. Written notice to the Commission shall take the form of updated SBC Indiana Catalog pages with a copy being provided to the OUCC. Written notice to impacted customers shall be provided in compliance with the Commission's Customer Rights and Responsibilities Rule (170 IAC 7-1.3-5(d)).
- (b) Price decreases (which include all promotions) shall become effective no earlier than the day after the date upon which the Company provides written notice to the Commission. Written notice shall take the form of updated SBC Indiana Catalog pages with a copy being provided to the OUCC. The Company may decrease prices at any time provided the lower price exceeds the TSLRIC of the service plus ten percent.
- (c) New services (which include new packages and bundles of existing regulated services) shall become effective no earlier than the day after the date upon which the Company provides written notice to the Commission. Written notice shall take the form of updated SBC Indiana Catalog pages with a copy being provided to the OUCC. The Company may introduce new services at any time provided the price exceeds the TSLRIC plus ten percent consistent with the requirements in Section III.E. below. Once during the term of the Agreement and within the first 18 months of the Agreement, SBC Indiana shall provide a bill page message, insert or similar notification informing residential customers who purchase packages of the stand-alone price for all Tier 2 features and residential advanced custom calling features in Part 7, Section 2 of SBC Indiana's Catalog.
- (d) Within thirty (30) days after Commission approval of this Agreement, SBC Indiana agrees to meet informally with Commission Staff and the OUCC in an effort to improve the accessibility and detail of information

on the Company's website, including but not limited to, pricing information relating to packages, bundles, and promotions.

- (e) Changes to terms and conditions shall become effective no earlier than the day after the date upon which the Company provides written notice to the Commission. Written notice to the Commission shall take the form of updated SBC Indiana Catalog pages with a copy being provided to the OUCC. In the case of service withdrawals, written notification must also be provided to impacted customers at least fifteen (15) days in advance.
- (f) The Company may use target marketing for Tier 3 services. This will allow the Company to introduce new services, service packages, bundles, promotions, or win-back offers that are designed to benefit particular customer segments and are not generally available to the public. SBC Indiana shall be subject to any superseding requirements regarding win-back offers adopted by final order of the Commission subsequent to the execution of this Agreement. Nothing in this Agreement affects any litigation position the Parties may take regarding win-back promotions in any Commission proceeding. The Parties do not waive their respective rights to appeal any such Commission order. Except as provided by I.C. 8-1-3-6, all Parties agree to implement any final Commission order pending any resolution of any appellate remedy, unless the Commission order is stayed by the Commission or a court of competent jurisdiction.

D. IURC No. 20 Tariff Filing Approval Process.

The following process shall be used for requesting the limited Tier 2 price increases defined in Section III.C.2.(a) above and for requesting changes to terms and conditions for Tier 1 and Tier 2 services:

1. SBC Indiana shall submit written notice of the requested change with the Commission and OUCC forty-five (45) days in advance of the proposed effective date. Written notice to the Commission and OUCC shall take the form of updated IURC No. 20 Tariff pages along with a memorandum explaining the change(s).
2. To ensure public notice of tariff submissions, all tariff submissions shall be posted on SBC's website and the Commission's website within 1-3 business days of the submission. The tariff submission date shall be based upon the received stamp date of the Commission.
3. If no objections are made to the tariff submission pursuant to the following paragraph, the tariff submission will be deemed approved forty-five (45) days from the tariff submission date.
4. Any petition in opposition to SBC Indiana's proposed tariff submission shall be submitted to the Commission within thirty (30) calendar days of the tariff

submission date. All petitions shall contain the specific objections to SBC Indiana's tariff submission. In addition, a letter from the Commission's Director of Telecommunications containing the foregoing to the Chief ALJ within thirty (30) calendar days of the tariff submission date may request that the Commission initiate appropriate action, including but not limited to the initiation of a formal or informal investigation, in response to any tariff submission made by SBC Indiana. SBC Indiana may submit its reply to any and all such petitions and requests from the Director of Telecommunications within forty-five (45) calendar days of the tariff submission date.

5. As to the limited Tier 2 price increases, unless a Commission order to suspend, alter or amend the filing is entered after all filings have been submitted pursuant to Sections III.D.1. through III.D.4. above and within sixty (60) days after SBC Indiana's tariff submission date, the tariff submission shall be deemed approved and will become effective as submitted.
6. As to changes to terms and conditions for Tier 1 and Tier 2 services, if a petition in opposition is filed, SBC Indiana bears the burden of proving that its tariff submission complies with this Agreement and the matter shall be heard in accordance with the following procedures:
 - (a) The Commission shall publish notice and conduct an evidentiary hearing limited to the tariff submission issue within 180 days of the tariff submission date.
 - (b) SBC Indiana shall submit direct evidence in support of its tariff submission within 90 days of the tariff submission date.
 - (c) The OUCC and any interested party permitted to intervene shall file any evidence concerning the tariff submission within 135 days of the tariff submission date.
 - (d) SBC Indiana shall submit any rebuttal evidence within 165 days of the tariff submission date.
 - (e) Proposed orders and/or briefs may be filed within 20 days following the conclusion of the hearing. Exceptions to proposed orders and/or reply briefs may be filed within 10 days thereafter.
 - (f) The Commission shall enter a final order granting or denying the relief requested in the tariff submission within 40 days following the receipt of the exceptions to proposed order or reply briefs. If the Commission denies the relief requested, it must set forth specific written findings as to the deficiencies.

- (g) Changes to this procedural schedule may be made for good cause as determined by the Commission, however the Commission shall issue its final order within 250 days of the tariff submission date.
- (h) Any time prior to the entry of the Commission's final order, SBC Indiana may withdraw its tariff submission. This action shall terminate any pending proceeding.

E. Cost Studies.

1. Any price decrease to an existing service or any introductory price for a new service made in accordance with Section III.C, must result in a price that exceeds the TSLRIC of the service plus ten percent. SBC Indiana shall perform a cost study to establish that such price exceeds TSLRIC plus ten percent. SBC Indiana shall submit the cost study to the Commission and to the OUCC Telecommunications Division Director. Upon a Commission request made within thirty (30) days of the cost study submission, SBC Indiana will submit supporting work papers to the Commission. Upon OUCC request made within thirty (30) days SBC Indiana shall make the supporting work papers available to the OUCC pursuant to a reasonable nondisclosure agreement. Cost studies for CSOs will be submitted only upon request made pursuant to Section III.F. below.
2. Any cost studies and work papers submitted to the Commission under this Agreement and verified by SBC Indiana to be confidential, proprietary, competitively sensitive or trade secret information shall be deemed by the Commission to be exempt from public disclosure under I.C. 8-1-2-29 on a preliminary basis.
3. Cost filing requirements for bundles.

If a regulated service offered by SBC Indiana is discounted as a part of a bundle, the Company shall demonstrate to the Commission in writing that the discounted price exceeds its TSLRIC plus ten percent. When more than one such service is part of the bundle, the cost floor requirement can be met on either an individual service or aggregate service basis. The cost study provided by the Company shall identify each individual regulated service and its TSLRIC. SBC Indiana shall make this demonstration when the service is (1) regulated, (2) offered by SBC Indiana, and (3) discounted. If any of these three criteria are not met, no cost demonstration would be required. If the bundle contains primary line residential basic exchange service, the Company may use the basic local service exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS.

4. Cost filing requirements for packages.

- (a) If a package is comprised only of regulated services provided by SBC Indiana, the Company shall demonstrate through a cost study provided to the Commission and the OUCC that the price of the package exceeds the TSLRIC of the group of all regulated services contained in the package by at least ten percent. The cost study provided by the Company shall identify each individual regulated service and its TSLRIC so that the Commission and the OUCC may independently verify that the price of the package exceeds the aggregate cost of the regulated services by TSLRIC plus ten percent. If the package contains primary line residential basic exchange service, the Company may use the basic local service exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS.
- (b) If a package is comprised of both regulated and unregulated services provided either by SBC Indiana or SBC Indiana and an affiliate, the Company shall provide to the Commission and the OUCC the costing information for each individual regulated service, so that the Commission and OUCC may independently verify that the aggregate cost of the regulated services exceeds TSLRIC plus ten percent. The cost study provided by the Company shall identify each individual service and the TSLRIC so that the Commission and OUCC may independently verify that the price of the package exceeds the aggregate cost of the regulated services by TSLRIC plus ten percent. If the package contains primary line residential basic exchange service, the Company may use the basic local service exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS.

F. Customer Specific Offerings.

Customer Specific Offerings (CSOs) may be made for Tier 3 services. For individual CSOs the price floor shall be TSLRIC plus one percent. In the aggregate, the calculated revenues for all CSOs in service during a specified twelve month period must exceed the calculated TSLRIC by at least ten percent. Stand alone services in Tiers 1 and 2 may not be subject to CSOs. For Tier 3 services, CSOs may be made pursuant to the language in the SBC Indiana Catalog (Part 2, Section 7, Sheet Nos. 1 through 1.3). SBC Indiana will maintain an inventory of CSOs and provide an update to the Director of Telecommunications at the Commission within 30 days of the end of each quarter during the term of this Agreement. The update will include:

- 1. Customer Name
- 2. Services
- 3. Contract Term
- 4. Annual Cost

5. Annual Revenue
6. Percentage Contribution

The underlying contracts and cost studies supporting each CSO will be available to the Telecommunications Division of the Commission upon 10 business days notice to SBC Indiana. The CSO contracts, cost studies and information in the inventory shall be treated as confidential and exempt from public disclosure under IC 8-1-2-29 on a preliminary basis.

SBC Indiana shall be subject to any superseding requirements regarding CSOs adopted by final order of the Commission subsequent to the execution of this Agreement. The Parties do not waive their respective rights to appeal any such Commission order. Except as provided by I.C. 8-1-3-6, all Parties agree to implement any final Commission order pending any resolution of any appellate remedy, unless the Commission order is stayed by the Commission or a court of competent jurisdiction.

G. Exchange Specific Pricing.

1. For all services, upon petition by SBC Indiana and approval by the Commission, SBC Indiana may reduce the tariff or catalog price for a service in a specific exchange where there are (a) two operating facilities-based competitors that are (b) not SBC affiliates and are (c) offering and providing the same or comparable service (d) at a lower price than SBC Indiana. SBC Indiana's reduced price must also meet the TSLRIC price floor standards. The Company may use the basic local service exchange rate contained in the IURC No. 20 Tariff in lieu of the TSLRIC for BLS. Petitions for exchange specific pricing must be filed according to the following process:
 - (a) a showing that substantial barriers to competition do not exist for the relevant market;
 - (b) a detailed description and/or map of the geographic area which is the subject of the Verified Petition (the "exchange specific pricing area" or "ESPA"), including specifically an identification of each exchange included within the ESPA. An ESPA must contain the entire territory of each designated exchange;
 - (c) identification of each retail service for which exchange specific pricing is requested in the Verified Petition, including specifically, whether the service will be offered to residential customers, business customers, or both;
 - (d) identification of at least two alternative facilities-based providers operating in the exchange, and evidence of the extent of competition and size of the competitors, to the extent such information is within SBC Indiana's possession or control, or publicly available;

- (e) any proposed revisions or modifications to the SBC Catalog or IURC No. 20 Tariff occasioned by exchange specific pricing; and
 - (f) SBC Indiana shall serve a copy of the Verified Petition on the OUCC, Residential Customers and on the alternative facilities-based providers identified in the Verified Petition.
2. Commission Review of Verified Petition and OUCC Submission. Within 20 days of the filing of the Verified Petition, the Commission will require SBC Indiana to publish notice of the filing of the Verified Petition in the manner set forth in I.C. 8-1-1-8(b). The Parties will respond to discovery requests within five (5) business days.
- (a) A hearing will not be required absent a written request for a hearing by the OUCC or an alternative facilities-based provider identified in the Verified Petition, or, upon a finding by the Commission on its own motion. Any such request or motion shall be made with the Commission within thirty (30) days following proper publication of notice. The Commission may designate the facilities-based alternative providers named in SBC Indiana's Verified Petition to be respondents. The facilities-based alternative providers named in the Verified Petition may also be permitted to intervene for the purpose of ensuring the accuracy of the information set forth in the petition. The Commission's review of the Verified Petition shall be limited to whether the Verified Petition satisfies the requirements of Section III.G.1. above and whether the proposed exchange specific pricing is in the public interest. If there is no hearing requested within thirty (30) days of the published notice, the Commission shall enter a final order granting the relief requested within sixty (60) days of the publication of notice.
 - (b) If a hearing is requested, the Commission will utilize the following process:
 - (i) The Commission will require SBC Indiana to publish notice and the Commission will conduct an evidentiary hearing and enter a final order on the Verified Petition within 180 days of the publication of notice.
 - (ii) At any time prior to the entry of the Commission's final order, SBC Indiana may withdraw its Verified Petition which shall terminate any pending investigation into the propriety of the Verified Petition.

H. Telephone Exchange Rate Class Reclassifications.

A petition for the reclassification of an exchange from one rate classification to another based upon population growth in the exchange does not constitute a price increase. Any time after December 31, 2005, SBC Indiana may file such petitions in accordance with IURC Tariff No. 20, Part 4, Section 2, Sheet No. 1. If granted, the rate class reclassification shall not take effect until the end of the term of this Agreement. Nothing in this Agreement affects any litigation position the Parties may take regarding any such new petition for reclassification of an exchange. The Parties do not waive their respective rights to appeal any such Commission order. Except as provided by I.C. 8-1-3-6, all Parties agree to implement any final Commission order pending any resolution of any appellate remedy, unless the Commission order is stayed by the Commission or a court of competent jurisdiction. The OUCC agrees that the OI 2000 price cap issue in Cause No. 42238 is mooted by this Agreement and will recommend that the Commission reach a decision on the merits in that Cause.

I. Competitive Flexibility Process.

The criteria and standards for moving Tier 1 and Tier 2 services to and from Tier 3 and the procedures to be followed to petition to reclassify services shall be as follows:

1. Verified Petition. SBC Indiana may file a Verified Petition with the Commission requesting authority to move a Tier 1 or Tier 2 service to Tier 3.
2. Ineligible Services. The primary line for residential and business BLS, and associated Tier 1 service charges and zone charges, shall not be eligible for the Competitive Flexibility Process.
3. Standard for Reclassification of Service Through Competitive Flexibility Process. To reclassify a service through the Competitive Flexibility Process, SBC Indiana must file a Verified Petition with the Commission demonstrating that at least two alternative facilities-based providers that are not SBC Indiana affiliates, are offering the same, equivalent or functionally similar service at comparable rates, terms, and conditions in each exchange in the reclassification area. This standard applies solely for the reclassification of services under the streamlined Competitive Flexibility Process and in no way constitutes an admission or agreement by any Party that this is the appropriate standard for the Commission to grant relief under I.C. 8-1-2.6-2 or 3.
4. Filing Requirements. The Verified Petition must also include the following:
 - (a) a showing that substantial barriers to competition do not exist for the relevant market.
 - (b) a detailed description and/or map of the geographic area which is the subject of the Verified Petition (the "reclassification area"), including specifically an identification of each exchange included within the

reclassification area. A reclassification area must contain the entire territory of each designated exchange.

- (c) identification of each service sought to be reclassified in the Verified Petition, including specifically, whether the service is for residential lines, business lines or both.
- (d) the total number and percentage of the SBC Indiana subscribers of the service(s) in the reclassification area, for each exchange, measured by the number of customers and access lines.
- (e) identification of the alternative facilities-based providers, and evidence of the extent of competition and size of the competitors, to the extent such information is within SBC Indiana's possession or control, or publicly available.
- (f) any revisions or modifications to the SBC Catalog or IURC No. 20 Tariff occasioned by the movement of the Tier 1 or Tier 2 service to Tier 3.
- (g) SBC Indiana shall serve a copy of the Verified Petition on the OUCC and on the alternative facilities-based providers identified in the Verified Petition.

5. Commission Review of Verified Petition and OUCC Submission. Within 20 days of the filing of the Verified Petition, the Commission will require SBC Indiana to publish notice of the filing of the Verified Petition in the manner set forth in I.C. 8-1-1-8(b). The Parties will respond to discovery requests within five (5) business days.

- (a) A hearing will not be required absent a written request for a hearing by the OUCC or an alternative facilities-based provider identified in the Verified Petition, or, upon a finding by the Commission on its own motion. Any such request or motion shall be made with the Commission within thirty (30) days following proper publication of notice. The Commission may designate the facilities-based alternative providers named in SBC Indiana's Verified Petition to be respondents. The facilities-based alternative providers named in the Verified Petition may also be permitted to intervene for the purpose of ensuring the accuracy of the information set forth in the petition. The Commission's review of the Verified Petition shall be limited to whether the Verified Petition satisfies the requirements of Section III.I.3. above and whether the competitive flexibility requested is in the public interest. If there is no hearing requested within thirty (30) days of the published notice, the Commission shall enter a final order granting the relief requested within sixty (60) days of the publication of notice.

- (b) If a hearing is requested, the Commission will utilize the following process:
 - (i) The Commission will require SBC Indiana to publish notice and the Commission will conduct an evidentiary hearing and enter a final order on the Verified Petition within 180 days of the publication of notice.
 - (ii) At any time prior to the entry of the Commission's final order, SBC Indiana may withdraw its Verified Petition which shall terminate any pending investigation into the propriety of the Verified Petition.
- 6. Ongoing Commission Review. For any service area in which a Tier 1 or Tier 2 service has been classified as a Tier 3 service in accordance with the process described above for twelve (12) months or more, the Commission may, on its own motion or at the request of the OUCC, commence an investigation into whether the criteria described herein continue to be met. OUCC shall notify and meet with a representative of SBC Indiana to discuss the OUCC's concerns, not less than ten (10) days prior to filing a request for ongoing Commission review under this paragraph.
 - (a) The investigation shall be commenced by a Commission order that sets forth the specific matters under investigation and describes why the Commission believes that the requirements described above are no longer satisfied within a particular service area. The subject matter of the investigation shall be limited to whether the requirements of Section III.I.3. above continue to be satisfied.
 - (b) The Commission shall hold a hearing on the matters under investigation unless the hearing is waived by SBC Indiana. SBC Indiana shall be given not less than 10 days notice of the hearing. The hearing on the matters under investigation shall be held within ninety (90) days of the entry of the order commencing the investigation unless waived by SBC Indiana. In the absence of an agreement of the parties, the Commission will establish a procedural schedule for the prefiling of testimony. At the hearing on the matters under investigation, any party contending that the requirements of Section III.I.3. are no longer satisfied shall have the burden of proving those contentions. At any time prior to the entry of the Commission's final order, SBC Indiana may, by written submission to the Commission, voluntarily remove the service under investigation from Tier 3 and return the service to the previously applicable tier of regulation at the then current IURC No. 20 Tariff price, which action shall terminate the pending investigation. The Commission should enter its final order within ninety (90) days of the conclusion of the hearing in such an investigation. If services that have moved from Tier 1 or Tier 2 to Tier 3 under the

competitive flexibility process are returned to Tier 1 or Tier 2, the price cap provisions of Section III.C.1. and III.C.2. still apply.

- (c) If any service is removed from Tier 3, either by Commission order or by SBC Indiana's voluntary action, the prices and provisioning for the former Tier 1 or 2 service shall be regulated by the rates, terms and conditions of the IURC No. 20 Tariff. If the Commission determines that within the particular reclassification area the requirements described above are satisfied or that the regulation of the service as a Tier 3 service is not detrimental to customers within the same reclassification area, the Commission shall affirm the regulation of the service as a Tier 3 service. No investigation under this Paragraph may be commenced for the same service in the same reclassification area more often than once in a twelve month period.

J. Infrastructure Deployment.

1. SBC Indiana or its affiliate shall deploy High Speed Services infrastructure and technology under the following terms and conditions:
 - (a) The specific technology deployed shall be at the discretion of SBC, with the condition that the facilities deployed are sufficient to allow the provision of High Speed Services.
 - (b) The Central Offices (COs), Remote Terminals (RTs) and Digital Loop Carriers (DLCs) selected for deployment will be at the discretion of SBC.
 - (c) Although SBC Indiana shall retain all discretion regarding deployment decisions, SBC Indiana agrees to use best efforts to deploy infrastructure under this Section in a geographically diverse manner.
 - (d) High Speed Services will be available to at least of 77% of SBC LUs by June 30, 2008. The Parties recognize that the infrastructure deployment commitment provided for in this Section is a four year commitment although the term of the Agreement is three years from the Effective Date. SBC Indiana expressly commits to fulfill this deployment target by June 30, 2008. If this Agreement is not approved by the Commission by June 30, 2004, the target date for 77% high speed availability of SBC LUs will be four years from the date of Commission approval of this Agreement.
 - (e) By June 30, 2006, High Speed Services will be available to the greater of the following two options:
 - (i) seventy one percent of SBC LUs (71%); or

- (ii) the percentage of SBC LUs as of December 31, 2003 plus two percentage points. (For example, if deployment was 70% on December 31, 2003, this target will be 72%.)
 - (f) At least thirty percent of the high-speed services infrastructure deployed to LUs pursuant to this Section from December 31, 2003 to June 30, 2008 will be in Rural Areas as defined in Section II.I.
 - (g) Progress toward these goals shall be reported to the Commission on or before February 15 of each year of the Agreement, via a formal, written annual report that includes the deployment status of SBC's infrastructure and identification of the specific rural areas (as defined in Section II) to which high-speed infrastructure has been deployed. The annual report shall be updated on or before September 1st of each year to notify the Commission of progress made since the previous annual report. Copies of the annual reports and any subsequent updates to that report shall be provided to the OUCC, Residential Customers, Intelnet Commission, and their designated individual member of the Technology Advisory Committee. Information regarding high-speed services infrastructure which has been deployed is presumed not to be confidential.
- 2. Regardless of any business or affiliate partnership in place for high-speed services deployment, SBC Indiana will be accountable for any and all of the high-speed service commitments set forth in this Agreement.
 - 3. During the term of this Agreement, a representative of SBC Indiana, Commission Staff, OUCC, Residential Customers, and the Intelnet Commission (hereinafter referred to as the "Technology Advisory Committee") will meet for the purpose of reviewing SBC Indiana's deployment of high-speed services pursuant to Section III.J.1., as well as to discuss technological development, including advances in high-speed Internet access at least once a year on or about March 1, or when deemed necessary by any Party. The Technology Advisory Committee shall submit a summary report to the Commission following each meeting.

K. Consumer Education, Public Safety Information.

SBC shall spend \$850,000 in total by June 30, 2007 to develop and disseminate impartial educational information on topics which may include, but are not limited to slamming, cramming, billing, competition, service, lifeline, and public safety issues. This is in addition to any expenses incurred by the Company to implement the on-line verification program discussed in Section III.N.1. Within 31 days of a Final Order approving this Agreement, representatives of the Commission, SBC Indiana, OUCC and Intelnet Commission will meet and form a Consumer Education Team to be responsible for the development of the consumer education process and information. The Consumer Education Team must include a representative from SBC Indiana. The Parties agree that to the extent practicable, consumer education and/or public

safety information materials developed by the Consumer Education Team shall provide contact information for both the Commission and the OUCC.

L. Service Quality Standards and Penalties.

1. Service Quality Standards. SBC Indiana shall comply with the Commission's generic service standards set forth in 170 IAC 7-1.2-1 et seq. with the exception of the eight service quality measures below in Table 1, with which SBC Indiana shall comply through June 30, 2007. SBC Indiana shall comply with the Commission's generic rules on individual automatic customer credits for missed installation and repair appointments; out-of-service exceeding twenty-four hours; and primary access lines installed in greater than five (5) business days, and shall apply individual customer credits based on SBC Indiana's performance under the service standards set forth in 170 IAC 7-1.2-1 et seq.
2. Service Quality Reporting. Beginning in the first quarter after reporting pursuant to OI-2000 ends and through the end of the term of this Agreement, SBC Indiana, on a quarterly basis, will provide the Commission Staff and the OUCC with an oral review and, contemporaneously therewith, a written report describing SBC Indiana's quarterly performance with respect to the following (using the performance measures set forth below):
 - (a) Business Office average speed of answer;
 - (b) Repair reporting center average speed of answer;
 - (c) Trouble report rates per 100 access lines (statewide);
 - (d) Trouble report rates per 100 access lines (per exchange);
 - (e) The percentage of out-of-service trouble reports cleared within 24 hours;
 - (f) The percentage of primary access lines installed within 5 business days;
 - (g) The percentage of repair premises appointments and outside commitments met by SBC Indiana; and
 - (h) The percentage of installation premises appointments met by SBC Indiana,

The quarterly written report will provide results for the previous quarter and will be submitted no later than 45 calendar days after the end of the quarter covered by the report.
3. The performance measurements, penalties and standards applicable under this Section are as follows:

Table 1

<i>Performance Measure</i>	<i>Maximum Annual Penalty</i>	<i>Standard</i>
1) Business Office Average Speed of Answer¹	\$3.35M	≤ 60 sec.
2) Repair Reporting Center Average Speed of Answer	\$3.35M	≤ 60 sec.
3) Trouble Report rates per 100 Access Lines (statewide)	\$3.35M	≤ 3 statewide
4) Trouble Report rates per 100 Access Lines (by exchange)	\$3.35M	≤ 10 per exchange for 3 consecutive months
5) Out of Service ("OOS") Trouble Reports Cleared Within 24 Hours²	\$6.55M	(2004) ≥ 95% (2005) ≥ 94% (2006) ≥ 93% (2007) ≥ 92%
6) Primary Access Lines Installed Within 5 Business Days	\$3.35M	≥ 96%
7) Repair Premises Appointments and Outside Commitments Met	\$3.35M	≥ 92%
8) Installation Premises Appointments Met	\$3.35M	≥ 92%

4. SBC Indiana's performance will be measured under the criteria applicable under OI-2000 and, therefore, in accordance with the following:
- (a) The Start Date will be the first quarter after reporting pursuant to OI-2000 ends (there shall be no interim period where no reports are filed for a quarter between the end of OI-2000 reporting and the beginning of reporting under this Agreement); and
 - (b) The Measurement Period will be consecutive quarterly periods on a statewide basis, except for Performance Measure 4 in Table 1 above, which is on an exchange basis.

¹ "Speed of answer" means the following: (A) For live operator systems, it is the number of seconds required to reach an operator or service representative who is ready to render assistance and accept the information necessary to process the call. (B) For automated, interactive answering systems it is the number of seconds from the time a customer's call exits the automated system until the call is answered by a live operator, service representative, or automated system ready to render assistance and accept the information necessary to process the call.

² SBC Indiana will continue to utilize a dispatch policy that does not prefer retail business customers over retail residential customers.

5. SBC Indiana will provide quarterly watch and review reports. If the quarterly service quality reports indicate that any of the eight service performance measures have been breached, SBC Indiana will have the following quarter to address and remedy the service quality problem without any penalties. The penalties are \$3.35 million for Performance Measures 1-4 and 6-8 and \$6.55 million specifically for Performance Measure 5, OOS violations. The total penalties will not exceed \$30 million annually. If SBC Indiana fails to remedy a service quality problem(s) for 2 consecutive quarters (6 months), it will be assessed up to half of the penalty for that measure by the Commission. If SBC Indiana fails to meet these standards for three consecutive quarters, the Commission may assess up to and including the full penalty.
6. Additionally, if SBC Indiana remains out of compliance for two consecutive quarters, the Commission may convene a proceeding under the provision of Section III.V. below, to ascertain what if any additional actions might be warranted under the circumstances, including, but not limited to suspension of pricing flexibility.
7. The length of service interruptions shall be computed on a continuous basis, Saturdays, Sundays and holidays included.
8. Any failure to meet these service quality standards that occurs as a result of emergency situations, unavoidable casualties, or acts of God affecting large groups of customers is not automatically included in the measure. In its quarterly report, SBC Indiana shall include an explanation of any exemptions that SBC Indiana applied to a service quality measure, including performance statistics with and without applied exemptions. Within 30 days of receipt of the quarterly report, the Commission Staff shall conduct a preliminary review and make an informal determination regarding whether the exemptions were appropriately applied. Any Party may raise specific objections and request that the Commission immediately investigate SBC's application of any exemption made within that respective quarter. Any objection and request for investigation must be made within sixty (60) days of the filing of the quarterly report. Absent such an investigation, and a Commission determination, after notice and hearing, that the Company has misapplied the exemption(s), the exemptions are deemed prudent and reasonable as applied by SBC Indiana. In the event of a hearing upon Commission investigation, SBC Indiana will have a rebuttable presumption that its application of exemptions was correct.
9. Any failure to perform that is the result of an appointment or commitment being canceled for the first time where SBC Indiana provides the customer twenty-four hours notice of its inability to meet the appointment or commitment is not included in the measure.

10. Unless ordered otherwise by the Commission, any payments made pursuant to this Section shall be applied by SBC Indiana as credits to SBC Indiana's retail end user customers. Such credits shall be calculated on a per access line basis.
11. If the Commission has reason to believe SBC Indiana is not in compliance with any service quality provision of this Agreement, the Commission may at any time, initiate a proceeding to investigate compliance with this Agreement.

M. Cause No. 42530.

1. The Company shall commit to active and good faith participation in Cause No. 42530. Subject to Paragraph 2 below, all Parties agree to comply with any requirements or obligations created as a result of a final Commission order in Cause No. 42530. In the event of a conflict between the Commission's Order in Cause No. 42530 and the regulatory flexibility for Tier 3 services set forth in this Agreement, the Commission's Order in Cause No. 42530 shall govern.
2. SBC Indiana, the OUCC, Residential Customers, and the Intelenet Commission do not waive their respective rights to appeal any such Commission decision(s) or Order(s). Except as provided by I.C. 8-1-3-6, all Parties agree to implement any final Commission order pending resolution of any appellate remedy, unless the Commission decision or Order is stayed by the Commission or a court of competent jurisdiction.
3. All Parties agree that the Commission may, at any time, pursuant to its authority, review and/or examine any issues not encompassed within the scope of Cause No. 42530 or this Agreement.

N. Universal Service.

1. SBC Indiana agrees to work with the OUCC and the Commission to create an on-line verification program for Lifeline/LinkUp customers. OUCC and the Commission recognize that such a program may require the cooperation of other state agencies and commit to working with SBC Indiana to accomplish this goal. In addition, SBC Indiana shall include Lifeline/Linkup information on disconnect letters to customers. SBC Indiana will not be responsible for reimbursing any agency for costs the agency may incur to implement this program.
2. SBC Indiana will waive the non-recurring charges not covered by Universal Service Funding for establishing basic local exchange service for Lifeline/LinkUp customers for the duration of this Agreement.
3. SBC Indiana shall not seek to withdraw its ETC certification for its entire service area during the term of this Agreement. SBC shall not have the ability to unilaterally withdraw its ETC certification for any part of its local exchange service territory without approval of the Commission. SBC Indiana may only make such a request, and the Commission may only approve such a request,

consistent with the provisions of 47 U.S.C. 214(e)(4) and/or other applicable laws. This paragraph does not preclude the sale or trade of any of SBC Indiana's local exchange service territory to another provider that will assume ETC status. However, such transactions will be subject to Commission review and approval to the extent of the Commission's then applicable statutory authority. As long as SBC Indiana retains its ETC status, it will be subject to the ETC rules and requirements contained in the Commission's orders and docket entries in Cause Nos. 41052 and 41052-ETC-39, except to the extent specifically relieved from such requirements by the Commission.

4. Notwithstanding anything to the contrary, this Agreement shall not preclude SBC Indiana from obtaining universal service support payments or credits, or from otherwise participating in any universal service funding mechanisms which are authorized or provided under federal or state law or regulation.

O. Additional Consumer Safeguards.

1. The Commission may continue to investigate and resolve informal complaints made by individual end-user customers pursuant to I.C. 8-1-2-34.5.
2. Upon request from an end user customer, SBC Indiana will make available, at no additional charge, service descriptions, pricing information, terms and conditions and easily understood instructions for use. SBC Indiana will provide, upon request from an end-user customer and at no additional charge, a clear written statement describing how customer proprietary records and information are used, maintained or disclosed.
3. SBC Indiana will continue to comply with the FCC and the Commission's slamming and cramming rules.
4. SBC Indiana will maintain its written Privacy Pledge regarding customer privacy.
5. SBC Indiana shall be subject to the Commission's rules regarding Customer Rights and Responsibilities (170 IAC 7-1.3-1 et seq.), unless waived by Commission order on a permanent or temporary basis.
6. SBC Indiana shall continue to provide each of its basic local exchange service customers with the following:
 - (a) One (1) white pages directory and one (1) white pages directory listing.
 - (b) Voice grade access to the public switched network with minimum bandwidth of 300 Hertz to 3,000 Hertz.
 - (c) Dual tone multi-frequency signaling and single-party service.
 - (d) Access to:

- (i) emergency services, including access to 911 and enhanced 911, where provided by the local government;
 - (ii) operator services;
 - (iii) local directory assistance;
 - (iv) telephone relay services; and
 - (v) interexchange service.
- (e) Toll limitation services for qualifying low-income customers.
7. SBC Indiana will provide to each residential primary line BLS customer one free Directory Assistance call per month through June 30, 2007.

P. Carrier Access Service.

SBC Indiana's intrastate tariffs for the switched and special carrier access service shall continue to mirror its interstate access tariff. Exceptions to mirroring shall continue to be processed in accordance with the Commission's Third Order in Cause No. 39369 (IURC 4/20/93). No Settling Party shall file a petition with the Commission seeking access charge reform during the term of this Agreement. Nothing in this Agreement affects any litigation position the Parties or any other interested party may take in a Commission proceeding initiated on the Commission's own motion or by any other party regarding whether intrastate access rates are just and reasonable.

Q. 211 Service.

Through the end of the term of this Agreement, SBC Indiana will not seek to increase the rates for 211 service as set forth in the contract between SBC Indiana and IN211 Partnership filed with the Commission on January 12, 2004.

R. Reporting Requirements.

In addition to any other reports required by other sections of this Agreement, SBC Indiana shall provide the Commission and the OUCC with the following reports as provided below:

1. Service Quality Report. SBC Indiana will provide quarterly service quality reports as described in the Service Quality Section above.
2. Network Infrastructure Reports. During the term of this Agreement, SBC Indiana will provide reports regarding the High Speed Service deployment made to fulfill its commitment in this Agreement as set forth in Section III.J. above.
3. Other Reports. ARMIS Reports 43-01, 43-02, 43-04, 43-05, 43-06, 43-08; Indiana High Cost Fund Annual Report (SBC Indiana will provide this report only so long as SBC Indiana administers the Fund).; Operating Revenue Report for

Annual Public Utility Fee; and Forms G-5 and G-6. The FCC reports shall be provided so long as the FCC requires them.

4. Should any confidential, proprietary, competitively sensitive or trade secret information be contained within any report provided under this Agreement, such information will only be provided (a) to the OUCC, Residential Customers, and the Intelenet Commission pursuant to a reasonable nondisclosure agreement and (b) to the Commission if such information is exempt from public disclosure under I.C. 8-1-2-29 on a preliminary basis.

S. Jurisdiction and Regulatory Requirements.

1. Unless expressly modified or supplanted by the express terms of this Agreement, all existing rules, guidelines, and orders that are generally applicable to incumbent local exchange carriers that are in effect as of the date of approval of this Agreement shall remain applicable to SBC Indiana, absent a Commission order modifying such regulatory requirements. SBC Indiana may petition the Commission for a waiver/modification of any regulatory requirement not expressly governed by this Agreement that is generally applicable to incumbent local exchange carriers.
2. The specific terms of this Agreement are a replacement for traditional regulation and set forth the basis upon which SBC Indiana's retail rates and services, service quality and carrier access charges will be regulated during the term of this Agreement. Nothing in this Agreement is intended to limit or prevent the Commission from fulfilling its statutory obligations and carrying out any mandates under the Federal Telecommunications Act of 1996 or other applicable laws, not otherwise specifically addressed herein. The Commission shall retain all jurisdiction over SBC Indiana that is not expressly declined or supplanted by the express provisions of this Agreement.
3. The Commission shall, to the extent necessary to effectuate the express terms of this Agreement, expressly decline to exercise its jurisdiction under I.C. 8-1-4-1, over the following provisions of I.C. 8-1-2, and any of the Commission's rules, standards, or other regulatory provisions based upon or related thereto, as they relate to matters within the scope of this Agreement: Sections 4, 6, 7, 9, 12, 14, 15, 16, 19, 20, 21, 22, 23, 24, 26, 38, 39, 40, 41, 42, 42.5, 43, 44, 46, 48, 61, 68, 71, 76, 77, 78, 79, 80, 103, 104, 105, 106, 107 and 112.
4. SBC shall bind its successors and assignees to all terms of the Agreement.
5. This Agreement shall be construed in accordance with and governed by the laws of the State of Indiana and suit, if any, must be brought in the State of Indiana.
6. Unless expressly provided herein, nothing in this Agreement shall have any effect on any other pending proceeding at the Commission.

7. OUCC and SBC Indiana contemplate entering into a reasonable nondisclosure agreement that will encompass all the confidential information that may be provided by SBC Indiana to OUCC during the term of this Agreement.

T. Matters Excluded from the Plan.

This Agreement does not include within its scope, the following:

1. Interconnection, unbundled network elements, transport and termination of local exchange service, services for resale, and other matters specifically governed by the Federal Telecommunications Act of 1996, with the exception of Section 254 and ETC status;
2. Wireless Services; and
3. Independent Payphone Provider Service. Independent Payphone Provider Service will remain in the IURC No. 20 Tariff. No tariff changes may be made without Commission approval.

U. Comprehensive Plan Requirement, Effective Date and Implementation.

1. This Agreement is an integrated proposal in which each provision is dependent on others. It is a comprehensive plan comprised of individual pieces designed to work together to benefit customers and the competitive process in Indiana. As such, the proposal should be judged and approved in its entirety and without change unacceptable to the Parties to this Agreement. The commitments made herein are conditioned upon overall approval of this entire Agreement.
2. If at any time this Agreement is terminated in whole or in part, pursuant to I.C. 8-1-2.6-2(c), SBC Indiana shall have the right to defer or terminate any remaining schedule of infrastructure commitments described in the Agreement.
3. This Agreement assumes issuance by the Commission of a Final Order by June 30, 2004, that approves this Agreement without change unacceptable to the Parties.
4. In the event of an appeal of a Final Order approving this Agreement in which the Final Order is not affirmed, SBC Indiana's obligation to fulfill the infrastructure commitments herein shall terminate, absent express written agreement by the Parties.

V. Enforcement.

1. Each Party agrees to make a good faith attempt to meet, discuss and resolve any concerns that may arise during the term of Agreement on an informal basis prior to raising such matters with the Commission.
2. At any time during the term of this Agreement, the Commission, upon its own motion, and after notice and hearing, may take any of the following actions:
 - (a) Conduct a review of SBC Indiana's compliance with the terms of the Agreement;
 - (b) Conduct a review of SBC's compliance with applicable law and compliance with Commission Orders regarding matters not within the scope or superseded by this Agreement; or
 - (c) Enter an order, after notice and hearing, pursuant to the Commission's emergency powers under I.C. 8-1-2-113 approving a change in this Alternative Regulatory Plan necessitated by (1) an act of war, terrorism, civil unrest, strike or similar event; (2) technological change or migration from one technology to another; or (3) other significant and major changes in the telecommunications industry.
 - (d) If the Commission finds an IURC No. 20 Tariff submission or SBC Indiana Catalog submission does not comply with this Agreement, the Commission may reject the filing or SBC Indiana may modify it to comply with this Agreement.
3. If the Commission makes a preliminary determination that SBC Indiana has failed to comply with the terms of the Agreement, the Commission shall give notice to SBC Indiana, which notice shall include an explanation of the basis for its preliminary determination of non-compliance. Thereafter, the Commission shall allow SBC Indiana reasonable period of time to respond to, and to the extent necessary, to comply with the Commission's determination (the "Compliance Period"). For purposes of this Section, "reasonable time" shall be determined by the Commission with input from all Parties.
4. Notwithstanding any other provision of this Agreement, if, after the Compliance Period, the Commission continues to believe that SBC Indiana has failed to materially comply with the terms of the Agreement, the Commission may proceed with one or both of the following :
 - (a) The Commission may, after further notice and hearing pursuant to I.C. 8-1-2.6, revoke or modify the Agreement in part or in its entirety. In determining whether to so revoke or modify the Agreement, the Commission shall consider the gravity of the violation, the good faith of SBC Indiana in attempting to achieve compliance, the consequences of

such action on SBC Indiana, customer impact, and any other factor the Commission deems relevant. The Commission shall not stay, suspend, or otherwise alter the operation or effect of any term or provision of this Agreement without first providing notice and an opportunity for hearing to SBC Indiana in accordance with I.C. 8-1-2.6-2(c). This Agreement in no way constitutes an admission or agreement by the Parties regarding whether it is appropriate for the Commission to reassert jurisdiction during the term of this Agreement. Parties expressly reserve their rights to argue the appropriate legal standard that would be required for the Commission to reassert jurisdiction under I.C. 8-1-2.6-2(c).

- (b) The Commission may conduct a formal evidentiary hearing to determine whether SBC Indiana has failed to perform any of its obligations under this Agreement. A failure of any SBC Indiana affiliate, agent and/or partner to comply with the high-speed service provisions of Section III.J of this Agreement shall constitute a failure of SBC Indiana to perform an obligation under the Agreement. If after notice and hearing, the Commission enters a final order determining that SBC Indiana has failed to perform an obligation imposed herein, SBC Indiana agrees to commence corrective action or have corrective action commenced within thirty (30) days. If ordered by the Commission, SBC Indiana shall also pay a penalty for the failure to perform. Notwithstanding the foregoing, service quality violations shall be governed solely by Section III.L of this Agreement. Any penalty imposed by the Commission pursuant to this Section shall not exceed \$3 million per violation (the provisions of I.C. 8-1-2-112 shall not apply) and the amount of the penalty must be in proportion to the economic impact of the obligation. For purposes of penalty assessment for any violation of the infrastructure obligations in this Agreement, each failure to meet a single percentage point of high speed service deployment may be considered a separate violation. In considering whether to impose a penalty the Commission shall also consider the gravity of the violation, the good faith of SBC Indiana or other party in attempting to achieve compliance, and other relevant factors. If a penalty is ordered by the Commission, it shall be paid to customers as directed by the Commission unless otherwise agreed to by SBC Indiana, the OUCC, Residential Customers, the Intelenet Commission, and Commission Staff. Attorneys fees and costs shall not be awarded in any enforcement proceeding arising out of this Agreement. The Parties expressly agree that, to the extent not inconsistent with the statutes governing the OUCC and the Intelenet Commission, the monetary penalties set forth in this Agreement are the exclusive monetary penalties for failure to comply with this Agreement.

- 5. Failure of SBC Indiana to comply with a Commission order entered under this Section within a reasonable period shall be subject to enforcement and penalty under this Section as a separate violation of this Agreement.

W. Legislation.

Each Party agrees that: (a) in the event there is a change in the statutory law which eliminates, limits, reduces, expands or otherwise modifies the Party's obligations under this Agreement or substantially changes the Commission's jurisdiction over incumbent local exchange carriers, it will continue to be bound by and will fulfill its obligations under this Agreement through June 30, 2007, unless specifically mandated to do otherwise and thus to do so would be unlawful; and (b) it will not propose, endorse or seek state legislation that, if enacted into law, would make it unlawful for any Party to comply with those obligations through June 30, 2007. Nothing in this Section shall be construed as abrogating the OUCC's or Intelenet Commission's statutory responsibilities or limiting the Commission or Commission Staff's support of the Commission's legislative activities. In the event there is a change in the law which would have the effect (either as a direct requirement or condition or through an optional form of regulation) of superseding, terminating or diminishing a Party's obligations under this Agreement, any such Party may take advantage of such change in the law effective July 1, 2007, and thereafter be governed under the changed law.

IV. Presentation of the Settlement Agreement to the Commission.

A. Preliminaries.

All of the Parties shall support this Agreement before the Commission and request that the Commission accept and approve the Agreement without any change or condition(s) unacceptable to any Party. The Parties shall request the Commission to accept this Agreement and the supporting evidence conditionally and that, if the Commission fails to approve the Agreement in its entirety without any changes or condition(s) unacceptable to any Party, the Agreement and the supporting evidence shall be withdrawn, and the Commission will continue with Cause No. 42405 at the point where the litigation proceedings were suspended.

B. Final Order.

In reaching this Agreement, the Parties contemplated that the Commission would enter a Final Order approving this Agreement by June 30, 2004. If the Final Order is not issued on or before June 30, 2004, this Agreement shall expire unless otherwise agreed to in writing by the Parties, which agreement shall not be unreasonably withheld.

C. Public Statements.

The Parties shall agree on the form, wording and timing of a public/media announcement of this Agreement and the terms thereof. No Party will release any information to the public or media prior to the aforementioned announcement. All Parties may respond individually without prior approval of the other Parties to questions from the public or media, provided that such responses are consistent with such announcement and do not disparage any of the Parties. Nothing in this Agreement shall limit or restrict the Commission's ability to publicly comment regarding this Agreement, any Order affecting this Agreement, or any issue regarding the proceedings in Cause No. 42405.

V. Effect and Use of Settlement Agreement

- A. Neither the making of this Agreement nor any of its provisions shall constitute in any respect an admission by any Settling Party in this or any other litigation or proceeding. Neither the making of this Agreement (nor the execution of any of the other documents or pleadings required to effectuate the provisions of this Agreement), nor the provisions thereof, nor the entry by the Commission of a Final Order approving this Agreement, shall establish any principles or precedent applicable to telephone companies other than SBC Indiana.
- B. This Agreement shall not constitute, nor be cited as, precedent by any Party or deemed an admission by any Party in any other proceeding except if necessary to enforce its terms before the Commission, or any state court of competent jurisdiction on these particular issues. This Agreement is solely the result of compromise in the settlement process and except as provided herein, is without prejudice to and shall not constitute a waiver of any position that any of the Parties may take with respect to any or all of the items resolved here and in any future regulatory or other proceedings.
- C. The evidence in support of this Agreement constitutes substantial evidence sufficient to support the Agreement and provides an adequate evidentiary basis upon which the Commission can make any findings of fact and conclusions of law necessary for the approval of the Agreement, as filed.
- D. The issuance of the Final Order shall terminate any further proceedings in Cause No. 42405.
- E. The communications and discussions during the negotiations and conferences which have produced this Agreement have been conducted on the explicit understanding that they are, or relate to, offers of settlement and shall be privileged and confidential, shall be without prejudice to the position of any Settling Party, and are not to be used in any manner in connection with any other proceeding or otherwise.
- F. The undersigned Parties have represented and agreed that they are fully authorized to execute the Agreement on behalf of their designated clients who will be bound thereby.
- G. The Parties shall not appeal or seek a stay of the Final Order or related orders to the extent such orders are specifically implementing the provisions of this Agreement and shall support this Agreement in the event of any appeal or a request for a stay by a person not a party hereto.
- H. The provisions of this Agreement shall be enforceable by any Party, and any Indiana state court of competent jurisdiction.

ACCEPTED and AGREED this 13th day of February, 2004.

INDIANA BELL TELEPHONE COMPANY, INCORPORATED
D/B/A SBC INDIANA

By: Jolynn B. Butler
Jolynn B. Butler, Vice President, Regulatory
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INDIANA UTILITY REGULATORY COMMISSION STAFF

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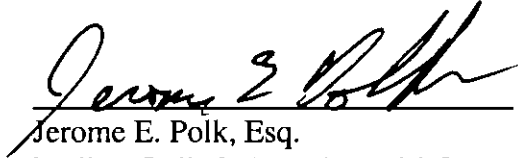
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INTELENET COMMISSION

By: Kent Champagne
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CITIZENS ACTION COALITION OF INDIANA, INC.,
UNITED SENIOR ACTION OF INDIANA, INC.

By:

A handwritten signature in black ink, appearing to read "Jerome E. Polk", is written over a horizontal line.

Jerome E. Polk, Esq.

Mullett, Polk & Associates, LLC

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